



CANADA

Liquor Control
Commission

2011 *Annual Report*



Moderation is always in good taste.

Prince Edward Island
Liquor Control Commission
63rd Annual Report

For the Year Ended
March 31, 2011



Corporate Vision

The Prince Edward Island Liquor Control Commission will be recognized as a truly superior retailer in Prince Edward Island. We will achieve this through quality products, modern technology and increased services. We will be the provincial leader in relationships with our partners, customers and suppliers. We will always strive for the best possible value for our customers, staff and other stakeholders.

Mission Statement

The PEI Liquor Control Commission regulates the sale of beverage alcohol under the authority of the *PEI Liquor Control Act*. It manages the distribution of alcohol by:

- operating in a socially responsible manner;
- achieving the revenue goals of the Provincial Government;
- providing suppliers with controlled access to the marketplace on a fair basis from modern, attractive venues;
- encouraging responsibility and moderation in the consumption of beverage alcohol; and
- providing its employees with equality of opportunity and increased training programs that assist in the individual's personal development and in the commission's overall customer service strategy.

Corporate Values

- **Moderation** – We promote responsible use as a way of life.
 - **Quality Service** – We take pride in the quality of our work. We strive for excellence in caring for our customers, suppliers and one another.
 - **Continuous Improvement** – As a retailer, we welcome change. We are committed to continuous improvement to all of our services.
 - **Integrity and Fairness** – We take responsibility and are fully accountable for our actions, decisions and behaviour. We meet our commitments and obligations to co-workers, customers and business partners. We are open, honest and fair.
 - **Importance of People** – We are committed to fostering a positive workplace that builds teamwork, mutual respect and encourages individual development.
 - **Focus on Results** – We are committed to getting the job done and improving our productivity levels.
-

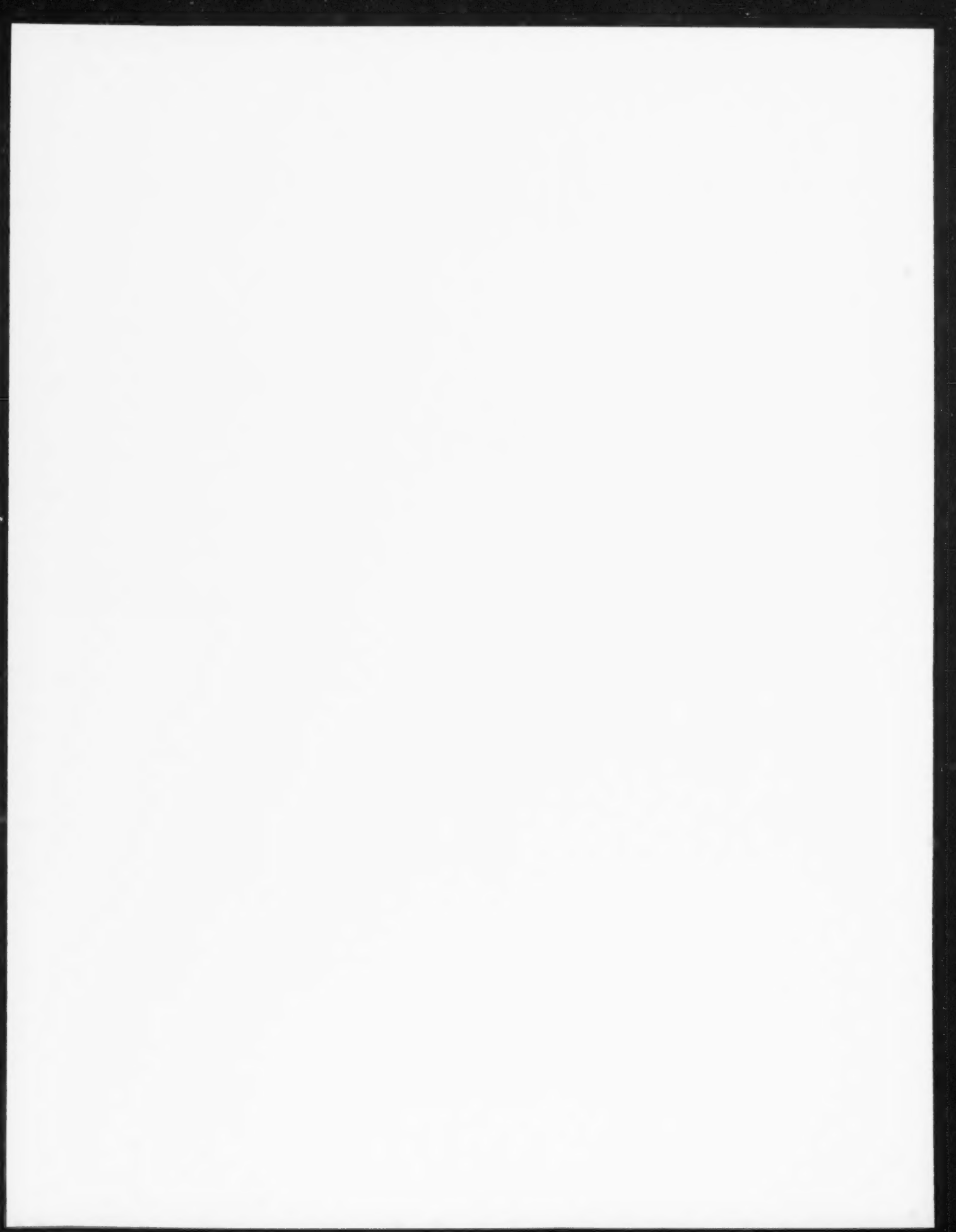


Table of Contents

Message From the Minister	1
Message From the Chairman	3
Message From the CEO	5
Corporate Governance	7
Mandate of Commission Board	8
Accountability to Government and Public	8
Appointment of Members of the Commission	8
Responsibilities of Commission Members	8
Audit Committee	9
Strategic Planning Committee	9
Organizational Chart	11
Executive Summary	12
Sommaire	13
Operational Review	14
2010-2011 Year in Review	14
Challenges and Opportunities Ahead	24
Retail Liquor Outlets	25
Statistics	26
Retail Gross Sales by Store	26
Summary of Profit and Expense Ratios – Three-Year Comparison	27
Table A – Spirit Sales Volumes (litres) by Product Type	27
Table B – Wine Sales Volumes (litres) by Product type	28
Table C – Beer Sales Volumes (litres) by Product Type	28
Table D – Cooler Sales Volumes (litres) by Product Type	28
Table E – 2011 Public vs Licensee Gross Sales by Category	29
Table F – 2011 Public vs Licensee Sales Volumes (litres) by Category	29
Total Licences and Special Permits – March 31, 2010 and March 31, 2011	30
Management's Report	31
Appendix	
Auditor's Report and Audited Financial Statements	



Message From the Minister

The Honourable H. Frank Lewis
Lieutenant Governor of Prince Edward Island
PO Box 2000
Charlottetown, PE C1A 7N8



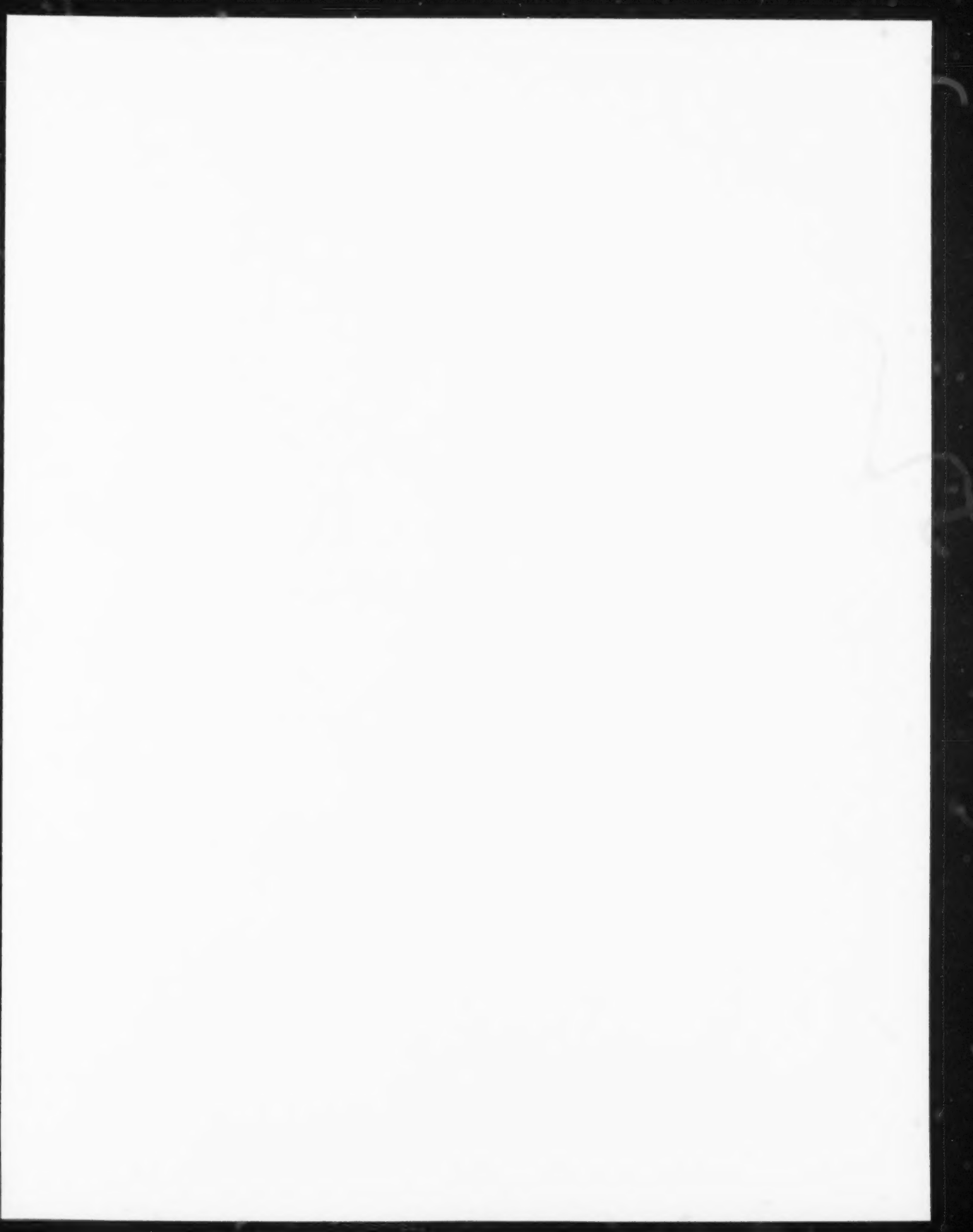
May It Please Your Honour:

Pursuant to the *PEI Liquor Control Act* and as Minister designate, it is my privilege to submit the 63rd Annual Report of the Prince Edward Island Liquor Control Commission.

Respectfully submitted,

A handwritten signature in cursive script, reading "Robert Vessey". The signature is written in dark ink on a light background.

Robert S. Vessey
Minister of Tourism and Culture
Minister Responsible for the Liquor Control Commission



Message From the Chairman

The Honourable Robert S. Vessey
Minister of Tourism and Culture
Minister Responsible for the Liquor Control Commission
PO Box 2000
Charlottetown, PE C1A 7N8



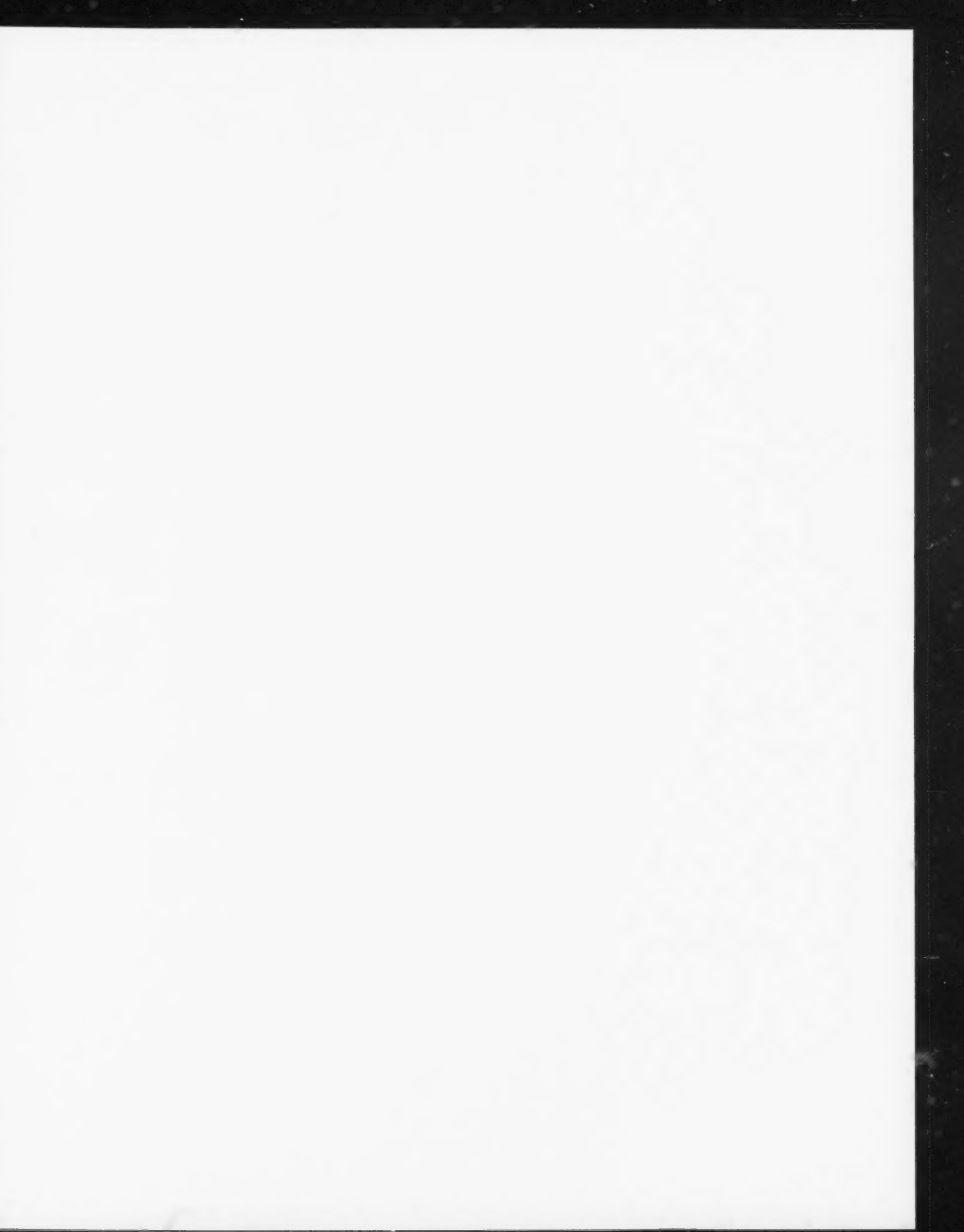
Sir:

In compliance with Section 87(3) of the *PEI Liquor Control Act*, I have the honour to submit the 63rd Annual Report of the Prince Edward Island Liquor Control Commission covering the fiscal year April 1, 2010 to March 31, 2011.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read 'Hector MacLeod'.

Hector MacLeod
Chairman



Message From the CEO

Mr. Hector MacLeod, Chairman
PEI Liquor Control Commission
PO Box 967
Charlottetown, PE C1A 7M4



Dear Mr. MacLeod:

It is my pleasure to announce that the PEI Liquor Control Commission (PEILCC) has surpassed its financial goals for the 14th consecutive year. The PEILCC reported returns to the Government of Prince Edward Island in the amount of \$38.7 million for the fiscal year ending March 31, 2011.

This past fiscal year was very successful for the PEILCC with gross sales increasing by more than \$1.7 million to over \$91 million. The PEILCC attributes this success to the foresight, commitment and determination of both our staff and Board of Commissioners.

I want to thank all PEILCC employees for their contributions to our success this year. Thank you also to the ongoing commitment and leadership of the Executive Management team and finally to the continued support of the PEILCC Board. It is through our combined efforts that the PEILCC was able to surpass its goal for the fiscal year 2010-2011.

We have built a strong team at the PEILCC and I look forward to our future work together.

Yours truly,

A handwritten signature in dark ink, appearing to read 'Brooke MacMillan'. The signature is stylized with a large, looped 'B' and a long, horizontal stroke extending to the right.

Brooke MacMillan
Chief Executive Officer

Corporate Governance

Corporate governance describes the process and structure for overseeing the direction and management of a crown corporation so that it effectively fulfills its mandate. This involves both its public policy and commercial objectives. It defines who is responsible for what, and how to ensure accomplishment and accountability.



Liquor Control Commission Board

From left: Robert Lord, Member; Sharon Moore, Vice-Chair; Frank Lewis, Member; Brooke MacMillan, Chief Executive Officer; Pam Campbell, Secretary and Hector MacLeod, Chair. Missing from photo is James Gormley, Q.C., Legal Counsel.

Mandate of Commission Board

The mandate of the board is to supervise the business affairs of the commission. Its most important responsibilities are:

- ensuring that the PEILCC provides high-quality service to the public
- developing and approving the strategic plan and monitoring management's success in meeting the strategic plan
- approving annual financial plans
- assessing and managing business risks
- ensuring that the PEILCC performs its regulatory role in a fair and impartial manner.

Accountability to Government and Public

The PEILCC is held accountable by the Government and people of PEI in a number of ways, including:

- the Annual Report, tabled in the Provincial Legislature and available for all Islanders to review, either in print or online at www.peilcc.ca
- annual audits of the PEILCC's financial statements by the auditor
- public access to records under the *Freedom of Information and Protection of Privacy Act*
- publicly appointed commission members.

Appointment of Members of the Commission

The Lieutenant Governor in Council, through an order-in-council, appoints the members of the commission, establishes the honorariums and designates the chair and vice-chair.

Responsibilities of Commission Members

Each commission member has individual responsibility for corporate governance including:

- acting honestly and in good faith in making decisions with a view to the best interests of the PEILCC and all its stakeholders
- overseeing the management of the business affairs of the PEILCC
- avoiding conflicts of interest
- having adequate knowledge of the PEILCC's business, how it is organized and how it functions
- attending commission meetings and seeking professional advice where necessary
- providing guidance on policy development
- reviewing appeals of listing applications.

Audit Committee

The Audit Committee is elected annually and consists of three commission members in addition to the chairman and the CEO as ex-officio. The committee ensures the reliability and accuracy of the PEILCC's financial statements, helps co-ordinate and improve internal control functions, and ensures the PEILCC adheres to sound corporate governance principles.

The 2010-11 Audit Committee consisted of Robert Lord, Chair and members Frank Lewis, Sharon Moore, and Hector MacLeod and Brooke MacMillan as ex-officio.

Strategic Planning Committee

The Strategic Planning Committee is elected annually and consists of three commission members in addition to the chairman and CEO as ex-officio. The purpose of the committee is to review and evaluate the corporate plans and to make any recommendations to the board in relation to those plans that the committee considers appropriate.

The 2010-11 Strategic Planning Committee consisted of Sharon Moore, chair, members Frank Lewis, Robert Lord, and Hector MacLeod and Brooke MacMillan as Ex-officio.



Management Team of the PEI Liquor Control Commission

From left: James C. MacLeod, Director of Licensing and Security;

Fred J. MacDonald, Director of Marketing and Retail Operations;

Wendy L. MacDonald, CA, Director of Finance;

David L. Stewart, Director of Purchasing and Distribution;

Lynn Duffy, Human Resources Manager;

Brooke MacMillan, Chief Executive Officer


```

graph TD
    Vespy["Hon. Robert S. Vespy  
Minister Responsible"] --> MacLeod["Hector MacLeod  
Chair"]
    MacLeod --> Moore["Sharon Moore  
Vice-Chair"]
    MacLeod --> Lewis["Frank Lewis  
Member"]
    Moore --> Lord["Robert Lord  
Member"]
    MacLeod --> MacMillan["Brooke MacMillan  
Chief Executive Officer"]
    MacMillan --> Campbell["Pam J.S. Campbell  
Administrative Assistant"]
    MacMillan --> MacLeod_JC["James C. MacLeod  
Director  
Licensing and Security"]
    MacMillan --> MacDonald_F["Fred MacDonald  
Director  
Marketing and Retail Operations"]
    MacMillan --> Duffy["Lynn Duffy  
Human Resources Manager"]
    MacMillan --> MacDonald_WL["Wendy L. MacDonald, CA  
Director Finance"]
    MacMillan --> Stewart["David Stewart  
Director  
Purchasing and Distribution"]
    MacDonald_F --> Outlets["19 Retail Outlets  
1 Agency Store"]
    Outlets --> Outlets_List["Alberton, Borden-Carleton, Cardigan, Cornwall, Granville Street, Kensington, Montague, North Rustico, Oak Tree, O'Leary, Queen Street, Souris, Stratford, Summerside, Tignish, Tyne Valley, Wellington, West Royalty, Wood Islands, Morell Agency Store"]
  
```

Hon. Robert S. Vespy
Minister Responsible

Hector MacLeod
Chair

Sharon Moore
Vice-Chair

Robert Lord
Member

Frank Lewis
Member

Brooke MacMillan
Chief Executive Officer

Pam J.S. Campbell
Administrative Assistant

James C. MacLeod
*Director
Licensing and Security*

Fred MacDonald
*Director
Marketing and Retail Operations*

Lynn Duffy
Human Resources Manager

Wendy L. MacDonald, CA
Director Finance

David Stewart
*Director
Purchasing and Distribution*

**19 Retail Outlets
1 Agency Store**

Alberton	North Rustico	Tignish
Borden-Carleton	Oak Tree	Tyne Valley
Cardigan	O'Leary	Wellington
Cornwall	Queen Street	West Royalty
Granville Street	Souris	Wood Islands
Kensington	Stratford	
Montague	Summerside	Morell Agency Store

Executive Summary

The Prince Edward Island Liquor Control Commission (PEILCC) is a crown corporation responsible for the administration of the *Liquor Control Act* and Regulations, along with the purchase, control and sale of all beverage alcohol in the province.

A five-member Board of Commissioners is responsible for the commission's activities. The chairperson reports to the Minister of Tourism and Culture who is also the Minister Responsible for the *Liquor Control Act*.

The mandate under the *Liquor Control Act* has two primary components: regulatory and commercial.

The regulatory function responsibilities include licensing and inspecting all licensed premises and special permit events, investigating and reporting on all licensee or special permit complaints and determining whether there were infractions of the *Liquor Control Act* and making recommendations to government on amendments to legislation.

On the commercial side, the commission continues to be a major force in the provincial economy with gross sales in excess of \$91 million, making it one of the largest retail organizations on Prince Edward Island.

In terms of monetary transfers to the Provincial Treasury, this past fiscal year provided the largest transfer to date with more than \$38.7 million forwarded to the Province.

The commission currently operates 19 retail outlets, as well as a central warehouse and Licensee Distribution Centre located in Charlottetown. The commission has contracted with private interests for the operation of an Agency Store in Morell, PEI.

A strategic plan is in place that guides the commission to success in meeting its performance and accountability goals.

The commission focuses on the following five key areas to measure performance:

1. Financial Performance,
2. Customer Service,
3. Business Effectiveness,
4. Public Safety and Social Responsibility, and
5. Workplace Quality and Employee Excellence.

These areas serve as a blueprint for incorporating the Mission Statement into day-to-day activities. While the PEILCC's financial success was the "best ever," it was also successful in meeting strategic goals set out in the other four pillars of the strategic plan. The details of this success will be explained in further detail in this report.

Sommaire

La Régie des alcools de l'Île-du-Prince Édouard (RAÎPÉ) est une société de la Couronne responsable de l'administration de la *Liquor Control Act* (loi sur le contrôle des alcools) et de ses règlements, ainsi que de l'achat, du contrôle et de la vente de toutes les boissons alcoolisées dans la province.

Un conseil de cinq commissaires est responsable des activités de la Régie. La présidence fait rapport au ministre du Tourisme et de la Culture qui est également ministre responsable de la *Liquor Control Act*.

Le mandat relevant de la *Liquor Control Act* a deux composantes principales, une de réglementation et l'autre commerciale.

Les responsabilités réglementaires comprennent l'octroi des licences et l'inspection de tous les débits de boisson et des événements nécessitant des permis spéciaux, l'enquête et les rapports de plaintes portant sur les détenteurs de licences ou de permis spéciaux, la prise de décisions concernant les infractions à la *Liquor Control Act* et les recommandations au gouvernement au sujet de modifications à la loi.

Du côté commercial, la Régie continue d'être un levier important de l'économie de la province avec des ventes brutes dépassant les 91 millions de dollars, ce qui en fait un des plus importants organismes de vente au détail de l'Île-du-Prince Édouard.

En termes de transferts monétaires au Trésor provincial, l'Île a connu cette année fiscale le plus important transfert de son histoire, soit plus de 38,7 millions de dollars.

À l'heure actuelle, la Régie exploite 19 points de vente au détail ainsi qu'un entrepôt central et un centre de distribution pour les détenteurs de licences situé à Charlottetown. La Régie a passé un contrat avec le secteur privé pour les activités d'un magasin de franchise à Morell, Î.-P.-É.

Un plan stratégique est en place pour guider la Régie dans l'atteinte de ses objectifs de performance et d'imputabilité.

La Régie concentre ses efforts sur les cinq domaines principaux suivants afin de mesurer sa performance :

1. la performance financière;
2. le service à la clientèle;
3. l'efficacité des opérations;
4. la sécurité publique et la responsabilité sociale; et
5. la qualité du milieu de travail; l'excellence des employés.

Ces domaines servent de plan directeur à l'intégration de notre mission dans nos activités quotidiennes. En plus d'avoir connu notre meilleur succès financier de tous les temps, nous avons également réussi à atteindre la plupart des objectifs stratégiques fixés pour les quatre autres piliers de notre plan stratégique.

Operational Overview

2010-2011 Year in Review

The Prince Edward Island Liquor Control Commission's Strategic Plan continued to guide activities through fiscal 2010-2011. Progress on strategic objectives is supported by annual business plans that set priorities for actions to meet objectives and timelines for their completion. The following is an overview of our performance throughout the year in each of the five strategic objectives.

Goal 1 Financial Performance

Goal

To maximize net income within the policy guidelines established by the provincial government.

Objectives

1. Achieve or exceed planned monetary transfer to the Provincial Government.
2. Achieve or exceed net income targets.
3. Increase traffic through liquor stores.

	Actual 2009-2010	Budget 2010-2011	Actual 2010-2011	% of 2010-2011 Budget	Budget 2011-2012
Gross Sales	\$90,010,214	\$92,060,569	\$91,728,389	99.64%	\$96,946,597
Gross Profit	26,661,752	26,998,750	27,282,610	101.05%	30,907,711
Operating Expenses	13,283,777	13,786,885	13,961,226	101.26%	14,485,409
Net Income	15,001,581	14,970,658	15,304,024	102.23%	18,693,973
Monetary Transfers	37,835,246	38,268,383	38,709,674	101.15%	43,268,383

Performance Highlights

The PEI Liquor Control Commission delivered both an increased net profit and an increased transfer to the provincial government in fiscal 2010-2011.

For the fiscal year ended March 31, 2011, gross sales were \$91,728,389 which is an increase of \$1,718,175 over the previous year. This increase is a result of new sales and marketing initiatives.

Net profit for the year, plus health and sales taxes, totaled \$38,709,674. This is an increase over the 2009-2010 contribution to the province by \$874,428; the yearly transfer represents our best year ever in terms of contributions to the Provincial Treasury.

The commission's business is international in scope with approximately \$36.8 million spent on the purchase of beverage alcohol. Gross margins increased by 0.3% due to one-time only marketing promotions.

In 2010-2011, the commission served 2,857,486 customers, an increase of 12,879. This increase is mainly a result of increased in-store promotions and the continuation of Sunday openings.

Figure A – Sources of Gross Revenue
Fiscal Year 2011

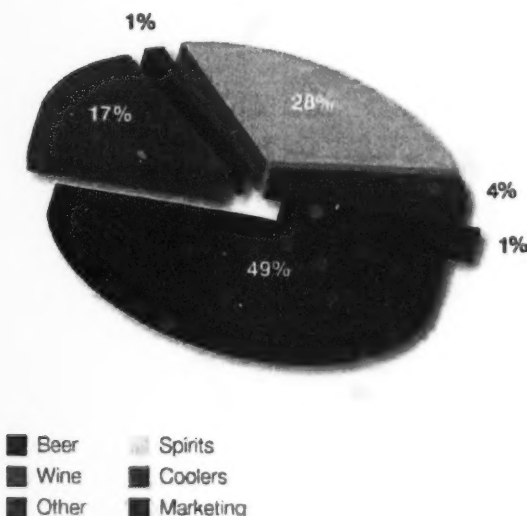
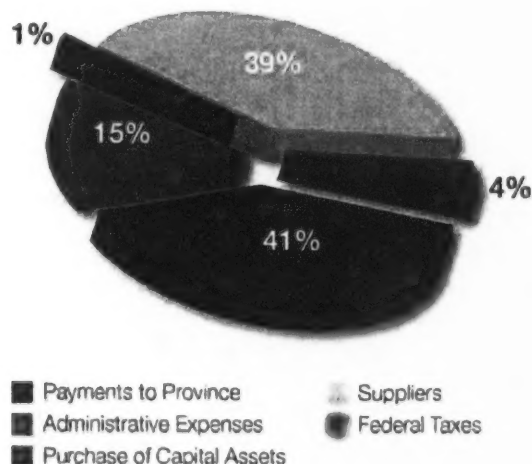


Figure B – Application of Gross Revenue
Fiscal Year 2011



Goal 2 Customer Service

Goal

To understand the needs of our customers so that we can provide quality products and services that are delivered by knowledgeable, courteous employees in attractive and accessible facilities.

Objectives

1. Enhance the shopping experience for PEILCC wholesale and retail customers.
2. Provide enhanced customer services.
3. Improve product portfolio.

	Actual 2009-2010	Target 2010-2011	Actual 2010-2011	% of 2010-2011 Target	Target 2011-2012
Customers served	2,844,607	2,916,436	2,857,486	97.98%	2,857,486
Average customer transaction value	\$31.64	\$31.57	\$32.10	101.68%	\$33.93

Volumes by Litres					
	Actual 2009-2010	Target 2010-2011	Actual 2010-2011	% of 2010-2011 Target	Target 2011-2012
Beer	9,296,991	9,340,502	9,227,416	98.79%	9,121,304
Draught	601,782	603,076	586,986	97.33%	601,238
Spirits	835,225	831,824	838,472	100.80%	832,140
Wine (including BYO)	1,221,750	1,283,226	1,262,200	98.36%	1,252,181
Coolers	436,224	448,266	422,930	94.35%	424,013
Total	12,391,972	12,506,894	12,338,004	98.65%	12,230,876

* Prior year's results have been restated to reflect actual results.

Performance Highlights

The PEI Liquor Control Commission built on the success of the previous year's record transfer to the province with a number of in-house programs aimed at producing similar results. New marketing program display opportunities were made available during the course of the year that resulted in sales volume increases for both the participating suppliers and the Commission.

Poor weather in the early part of the summer had a negative impact on the Beer category during this fiscal year. In addition, a customer trend toward other category products was a negative influence and was experienced in other provinces as well.

Volume for packaged beer reached 9,227,416 litres, compared to 9,296,991 the previous year; as well, draught beer volumes were also down slightly generating a volume of 586,986 litres, compared to 601,782 litres in 2010. While both packaged and draft beer volumes were down, significant growth was realized in the import single serve beer segment.

The Spirit category realized modest growth with volume of 838,472 litres in fiscal 2010-2011 compared to 835,225 for the previous year. Vodka and Spiced Rum segments continued to show increases in volumes, while White Rum and Whisky remained flat. New mass display

opportunities helped to drive sales across the Spirit category, especially in vodka and flavored spirit segments.

The Wine category continues to grow with more listings than ever before and is benefitting from enhanced training provided to staff. In addition, the Commission installed a Winegate™ WineStation in its Stratford location in the latter part of 2010. This innovative automated wine tasting system provides PEILCC customers with the opportunity to responsibly sample selected products in-store in controlled portion sizes. The technology allows customers to sample as they explore the expanding selection of wines offered by the PEILCC and complements the customer oriented advice provided by knowledgeable PEILCC staff.

The PEI Liquor Control Commission continued to promote its Island wide program supporting local producers. The "Good Earth, Great Spirit" displays provided great exposure for Island made products in all 19 stores across the province, including those from Myriad View Distillery, Prince Edward Distillery, Rossignol Winery, Honeydew Apiaries and Gahan Brewery.

The Charlottetown Civic Centre served as the venue for the 16th annual Prince Edward Island Liquor Control Commission's Festival of Wines. This annual event featured more than 200 wines, many of which are now included as General List products with the PEILCC. The 2010 festival included California as its first feature region. Wines from this region were promoted throughout the PEILCC retail

network leading up to the festival as well as on site during the event. Region specific promotions included point of sale signage and ballot contesting to win a trip for two to visit California and experience its world renowned wine country. The introduction of a feature region provided profile not only to the region but also to the Festival of Wines as a whole.

The Commission also participated in other events during the year including the 2nd annual PEI Savour Food and Wine Show in May and the 3rd annual Summerside Wine, Arts and Culinary event. Each of these events helped the Commission generate interest in the beer, spirits and wine categories.

A number of PEILCC retail store staff were given the opportunity for advanced training by the Commission's Wine Category Manager. This training provided staff members with the ability to make suggestions for customers when selecting wines for purchase.

These activities contributed to the development of the wine category as a whole and helped to realize an increase in volume from 1,221,750 litres in the previous year to 1,262,200 litres during this fiscal year.

The Commission continues to be instrumental in the production of *Occasions*, a quarterly publication featuring stories on local restaurants, local products, recipes and responsible use that are intended for the enjoyment of PEILCC customers.

Goal 3 Business Effectiveness

Goal

To improve operating efficiencies and manage business practices in a climate of continuous change.

Objectives

1. Operate the business in the most effective and efficient manner possible.
2. Maximize the efficiency of the PEILCC liquor distribution operation.

	Actual 2009-2010	Target 2010-2011	Actual 2010-2011	% of 2010-2011 Target	Target 2011-2012
Distribution centre fill rate	85.50%	85%	87.43%	102.86	85%
Distribution centre stock-out rate	7.90%	12%	6.47%	53.92	10%
Warehouse inventory turns/day	65	70	62.44	89.20	80
Store inventory turns/day	30.02	35	31.45	89.86	35.0
Gross sales per square foot (Retail and Licensee)	\$731.74	\$748.41	\$734.02	98.08	\$775.78

Performance Highlights

The commission set inventory turnover goals at the beginning of the fiscal year as part of its strategic plan. These turnover ratios were based on the year ended March 31, 2010 and allow the commission to measure its inventory efficiencies.

During the year, the commission experienced an increase for days-in inventory at both the store and warehouse level. At the store level, days-in-inventory was just over 31 days, an increase of 1.43 days; and at the warehouse level, days-in inventory was just over 62 days, a decrease of 2.56 days over last year.

The PEILCC increased the number of days in inventory to ensure customer service levels were maintained. To avoid stock-outs at the store level, more stock was inventoried in the stores and in the warehouse resulting in fewer inventory turns during the year. In addition, the PEILCC continues to optimize existing warehouse space to meet the demands

of an increasing Stock Keeping Unit (SKU) base necessary to meet the needs of our customers.

Warehouse stock-out reports continue to be utilized in order to better serve customers. These reports allow better monitoring of inventory to ensure goods are available to be shipped from the warehouse to the store, therefore minimizing the number of stock-outs and increasing customer satisfaction.

Increased customer satisfaction and efficiencies can also be measured by sales per square foot. Over the past number of years, commission's gross sales per square foot have been trending upward, indicating fewer stock outs and more products being brought to market therefore increasing overall customer satisfaction.

Goal 4 Public Safety and Social Responsibility

Goal

In partnership with community groups and suppliers, the PEILCC will strive to raise public and staff awareness of the responsible use of beverage alcohol.

Objectives

1. Eliminate sales to minors and intoxicated people.
2. Continue to increase the awareness and promote public awareness of issues surrounding responsible use of beverage alcohol.
3. Increase, through partnerships, the effects of the responsible use of alcohol.

	Actual 2009-2010	Target 2010-2011	Actual 2010-2011	% of 2010-2011 Target	Target 2011-2012
% of licencees and permit holders in compliance with legislation, regulations and policies	94.60%	95%	93.7%	98.63%	95.0%
% of license and permit applications completed within established time frames*	100%	98%	100%	102.04%	100%
Shrinkage (% of gross sales)	0.05%	0.04%	0.04%	100%	0.04%
*Time frame – 7 days for permits, 21 days for licenses.					

Performance Highlights

The PEI Liquor Control Commission continues to promote the responsible use of alcohol through various awareness programs. Ongoing initiatives include: Support Safe Grad Campaign, ID Training for liquor store staff, Check 25 ID Program, HOST booklet and various responsible use messages during graduation, long weekends, Christmas and New Year's celebrations. Responsible Use messages were promoted throughout the year using local media and *Occasions* magazine.

MADD Canada's Multi-media School Assembly Program continued in 2010-11 with presentations of *Shattered* and *En Éclats* being viewed by students in 11 high schools across the Island. The PEI Liquor

Control Commission expanded its support of MADD Canada's initiatives this past fiscal year as part of its commitment to the Provincial Impaired Driving Committee. This committee led a successful launch of Campaign 911 across the province in November 2010.

Charities on Prince Edward Island benefited from ongoing fundraising initiatives supported by the PEI Liquor Control Commission throughout the year. The 2nd annual PEILCC Golf Classic raised over \$9000, benefitting KidSport PEI and the Queen Elizabeth Hospital Foundation. The 3rd annual Habitat for Humanity wine cooler raffle raised \$17,700 for builds that took place across the Island.

In response to the catastrophe in Japan, arrangements were made to accept donations at the PEILCC retail outlets. This fundraising effort extended into fiscal 2011-12 and will provide assistance to relief efforts being coordinated by the Canadian Red Cross.

The commission continues to participate on a number of committees including the Provincial Impaired Driving Committee, Provincial Youth Substance Abuse and Addictions Committee and the Canadian Liquor Jurisdictions Social Responsibility Committee.

The commission strives to provide products that are socially responsible and incorporates responsible messaging into product promotions.

The PEILCC actively supports various groups and causes through coin box collections in all retail outlets. Groups benefitting from this activity include ALS Society, CAT Action Team, Cerebral Association of PEI, IWK Health Centre, Kidney Foundation of Canada, MADD Canada, Maritime Greyhound Adoption Program, MS Society, PEI Humane Society, PEI Muscular Dystrophy Association, PEI Rape and Sexual Assault Centre, and SpayAid PEI.

During the fiscal year, the commission continued its commitment to social responsibility in the areas of alcohol service and community support. The PEILCC partnered with a number of outside agencies in shared activities including:

- Participation as an active member of the Canadian Association of Liquor Jurisdictions (CALJ) Social Responsibility Committee on the national *Moderation is always in good taste* campaign.
- Affiliation with the Canadian Culinary Institute, to provide the mandatory server program *It's Our Business*, an awareness program for staff of licensed premises.
- Raising monies for ALS Society of PEI, Canadian Diabetes Association, Easter Seals Society of PEI, IWK Health Centre Foundation, Parkinson Society, Prince County Hospital Foundation, QEH Foundation and United Way through weekly staff dress-down days and other staff events raising a total of \$9,630.
- Generating over \$4,000 in support of the Hospice Palliative Care Association of PEI through proceeds from the silent auction, held during the 16th annual Festival of Wines.

Optimal compliance to the *Liquor Control Act*, Regulations and Policies is a primary objective of the commission. Retail staff are required to check and verify the age of customers and refuse minors or intoxicated persons. In 2010-2011, store staff checked 67,144 people suspected of being underage, intoxicated or with no ID and turned away 2,654.

Inspection staff performed 5,150 compliance inspections and 9,574 ID checks in licensed premises.

After evaluating all stores in relation to established criteria, the staff of the Tignish store were awarded the Annual CEO's Award of Merit for Loss Prevention for fiscal 2010-2011.



Sandra Hawley, Tignish Liquor Store Manager accepts the CEO's Award for Merit for Loss Prevention on behalf of the store staff from Brooke MacMillan, CEO.



Campaign 911 promotional material

Goal 5 Workplace Quality and Employee Excellence

Goal

Build a customer-focused, high-performance work environment that results in greater employee involvement, development, innovation and creativity.

Objectives

1. Enhance staff skills through employee training programs.
2. Continue to develop a customer-focused workplace.
3. Provide a safe, healthy and harassment-free workplace.

	Actual 2009-2010	Target 2010-2011	Actual 2010-2011	% of 2010-2011 Target	Target 2011-2012
Workplace quality training	127	140	168	120%	140
Product knowledge	144	142	177	124.65%	156
Staff development (professional and personal)	55	55	80	145.45%	55

Performance Highlights

Training is offered to PEI Liquor Control Commission employees on an on-going basis. The Product Knowledge Course, offered in conjunction with the Liquor Control Board of Ontario (LCBO) is available to all staff. Requests to participate in this course increase each year as staff strive to expand their product knowledge.

In addition to the LCBO program, ten PEILCC employees have enrolled in a new wine appreciation and knowledge course offered by the Category Manager of Wine. This intensive program is aimed at ensuring knowledgeable staff are available in PEILCC stores to assist customers when selecting wines and to provide suggestions for food and wine pairing.

The commission is very aware of the need for continuous staff development and offers product specific seminars throughout the year. These seminars are held either in-store with staff, at larger venues like the Culinary Institute or at the PEI Liquor Control Commission's head office. Industry leaders often head these seminars which, on occasion, are also open to the commission's licensees. In addition to in-house training, PEILCC retail staff have had the opportunity to visit local Island producers to learn first-hand how their products are made.

The PEILCC is very conscious of the need for safety awareness in the workplace, not only for employees but also for customers. It is for that reason that First Aid and CPR training is made available to all staff on an

annual basis. In the future, more emphasis will be placed in this area in regard to seasonal employees who are hired during the peak summer season and experience a high concentration of customer traffic.

Occupational Health and Safety (OH&S) plays an important role in the PEILCC's day to day operations. The PEILCC ensures that OH&S representatives receive updated training on their responsibilities. As well, it provides the opportunity for staff to take courses that ensure safe workplaces and practices, not only for employees but also for customers.

ID verification seminars were attended by a cross-section of retail staff. This presentation provided the opportunity for staff to increase their skills in the recognition of altered identification.

Ceridian Canada Ltd. was a popular resource again this year, providing 30% of the professional development training opportunities. Other professional development initiatives were provided by the University of Prince Edward Island in conjunction with the Public Service Commission, including programs such as the Public Sector Leadership Development Program. In addition, staff had the opportunity to pursue courses at other local training centres.

Those employees who are interested in advancing to management roles have been actively involved in business management training during recent years. The province's Development and Training Fund continues to provide assistance to employees as they pursue advanced training opportunities.

Challenges and Opportunities Ahead

The Prince Edward Island Liquor Control Commission continues to identify opportunities and challenges, as well as to meet the expectations of an increasingly diverse and discerning customer base. Store renovations and a new merchandising strategy have improved the way in which products are displayed as well as the customer experience.

On-going investment and planning is required to meet customers' needs and keep standards moving forward. In addition, continued investment in human resources and financial resources are also necessary to fulfill the 2010-2013 strategic plan.

Capital planning is required to provide for future needs. The commission has increased its monetary transfer goal to over \$43 million for the 2011-12 fiscal year to ensure these investments can be made.

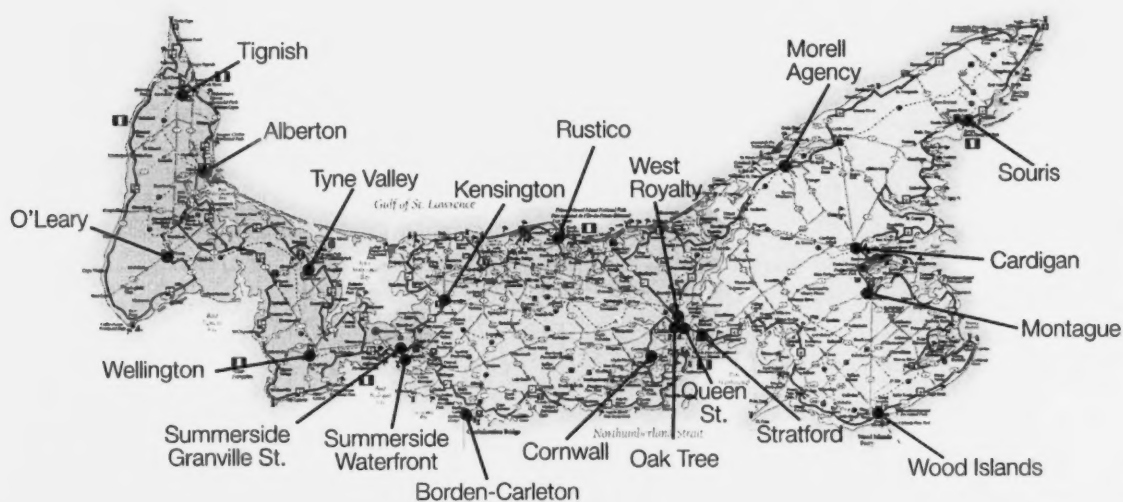
Managing human resources continues to be a key challenge for the PEILCC. It constantly reviews resource needs and training opportunities to meet changing

retail and technology requirements. The more disciplined category management approach, working in co-ordination with the supply chain, has provided a more efficient system to get products from the commission's international supply chain onto its store shelves. The PEILCC continues to investigate new opportunities for products and their distribution to meet customer demand.

The commission's commitment to social responsibility presents ongoing opportunities to communicate and reinforce the message of responsible use and public safety to a wide range of audiences.

Underlying all of these challenges and opportunities is the vision of excellence in management. Being prepared to capitalize on new opportunities in the marketplace and continuing to integrate and streamline operations is key. The PEILCC is confident that it is building an organization which is internally more efficient and publicly more accountable.

Prince Edward Island Liquor Control Commission Retail Liquor Outlets



Location	Manager
Alberton	Rhonda Arsenault
Borden-Carleton	Susan Harvey
Cardigan	Anita O'Connor
Cornwall	Cindy Judson
Kensington	Cecil Mills*
Montague	Anita O'Connor
Morell Agency	Mary Jane Webster
North Rustico	Wayne MacDonald
Oak Tree	William MacMillan
O'Leary	Karen MacDonald
Queen Street	Ernie Fitzpatrick
Souris	Paul Deveau
Stratford	Linda Somers*
Summerside - Granville Street	Ronald Yeo
Summerside - Waterfront Mall	Terry Lynn MacKenzie
Tignish	Sandra Hawley
Tyne Valley	Clarence Richard
Wellington	Clarence Richard
West Royalty	Alan Crane
Wood Islands	Anita O'Connor

*acting assignment

Statistics

Retail Gross Sales by Store

Retail Store	Year Ended March 31, 2011	Year Ended March 31, 2010	Increase (Decrease)
Alberton	\$1,487,718	\$ 1,525,732	(38,014)
Borden/Carleton	1,733,681	1,670,240	63,441
Cardigan	2,174,719	2,096,121	78,598
Charlottetown – Oak Tree Place	15,282,859	15,085,516	197,343
Charlottetown – Queen Street	3,314,779	3,134,609	180,170
Cornwall	5,158,811	5,008,227	150,584
Kensington	3,585,102	3,496,762	88,340
Licensee Distribution Centre	6,996,205	6,671,422	324,783
Montague	4,774,742	4,683,277	91,465
North Rustico	3,505,568	3,431,523	74,045
O'Leary	1,711,542	1,696,614	14,928
Souris	2,659,022	2,736,840	(77,818)
Summerside – Granville Street	7,698,950	7,599,378	99,572
Summerside – Waterfront	5,489,633	5,376,263	113,370
Stratford	7,904,987	7,809,864	95,123
Tignish	2,358,510	2,289,111	69,399
Tyne Valley	1,029,668	1,021,062	8,606
Wellington	1,247,380	1,234,340	13,040
West Royalty	12,529,131	12,344,244	184,887
Wood Islands	500,635	503,385	(2,750)
Warehouse	584,747	595,684	(10,937)
Total	\$91,728,389	\$90,010,214	1,718,175

Statistics

Summary of Profit and Expense Ratios Three-year Comparison

(in 000s)

	2011	2010	2009
Gross Sales	\$91,728	\$90,010	\$85,198
Gross Profit	27,283	\$26,662	\$24,982
Net Profit	15,304	\$15,001	\$13,923
General and Administrative Expenses	13,961	\$13,284	\$12,756
Gross Profit as a Percentage of Gross Sales	29.7%	29.6%	29.3%
Net Profit as a Percentage of Gross Sales	16.7%	16.7%	16.3%
General and Administrative Expenses as a Percentage of Gross Sales	15.2%	14.8%	15.0%

Table A – Spirit Sales Volumes (litres) by Product Type

	2011	2010	2009*
Rum	278,337	273,994	276,865
Vodka	219,248	212,282	206,509
Whiskey	154,293	160,228	162,610
Premix	70,325	63,597	54,843
Liqueurs	62,071	64,990	65,211
Scotch	21,750	22,052	23,484
Gin	18,114	18,226	18,064
Tequila	4,589	4,493	4,388
Bourbon	4,420	4,067	3,479
Brandy	4,279	4,634	4,905
Miscellaneous	1,136	6,662	5,447
Total	838,472	835,225	825,805

* Prior year's results have been restated to reflect actual results.

Table B – Wine Sales Volumes (litres) by Product Type

	2011	2010	2009*
White	632,459	606,481	569,955
Red	536,203	507,544	476,898
Fruit	29,518	42,629	43,479
Sherry	17,217	16,098	15,790
Rose	16,715	17,477	18,293
Cider	10,590	7,607	10,142
Port	4,491	4,078	4,511
Dessert	3,646	11,360	10,500
Vermouth	2,536	2,434	2,511
Miscellaneous	8,825	6,042	5,109
Total	1,262,200	1,221,750	1,157,188

Table C – Beer Sales Volumes (litres) by Product Type

	2011	2010	2009*
Packaged	9,227,416	9,296,991	9,045,595
Draught	586,986	601,782	580,187
Total	9,814,402	9,898,773	9,625,782

Table D – Cooler Sales Volumes (litres) by Product Type

	2011	2010	2009*
Spirit Coolers	405,220	414,409	381,260
Wine Coolers	17,710	21,815	19,321
Total	422,930	436,224	400,581

* Prior year's results have been restated to reflect actual results.

Table E – 2010 Public versus Licensee Gross Sales by Category

	2011			2010		
	Public	Licensee	Total	Public	Licensee	Total
Beer	\$ 36,776,974	\$9,048,974	\$45,825,948	\$36,826,355	\$8,593,132	\$45,419,487
Spirits	23,459,310	2,669,458	26,128,768	23,112,292	2,564,704	25,677,696
Wine	14,034,022	2,367,189	16,401,211	13,253,954	2,164,511	15,418,465
Coolers	2,780,291	575,139	3,355,430	2,884,379	590,603	3,474,982
Total	\$77,050,597	\$14,660,760	\$91,711,357	\$76,077,680	\$13,912,950	\$89,990,630

Table F – 2010 Public versus Licensee Sales Volumes (litres) by Category

	2011			2010		
	Public	Licensee	Total	Public	Licensee	Total
Beer	7,833,549	1,980,853	9,814,402	7,842,300	2,056,473	9,898,773
Spirits	745,687	92,785	838,472	739,288	95,937	835,225
Wine	1,068,216	193,984	1,262,200	1,025,680	196,070	1,221,750
Coolers	352,221	70,709	422,930	356,941	79,283	436,224
Total	9,999,673	2,338,331	12,338,004	9,964,209	2,427,763	12,391,972

Statistics

Total Licences and Special Permits March 31, 2010 and March 31, 2011

Licence Type	Year Ended March 31, 2011	Year Ended March 31, 2010
Dining Room	177	181
Lounge	85	87
Club	57	58
Military Canteen	20	21
Special Premise	72	68
Caterer	29	27
Agency Store	1	1
Winery	2	2
Micro-Brewery	1	1
Tourist Home	6	5
Distillery	2	2
Brew Pub	1	1
Ferment on Premises	4	4
Total Licences in Effect	457	458

The Licensing and Security Department issued 39 new licences and 40 licences were either not renewed or surrendered.

Special Permits Issued	Year Ended March 31, 2011	Year Ended March 31, 2010
Class I	146	159
Class II	257	214
Total	403	373

*A Class I permit entitles host to give beverages to guests.
A Class II permit entitles host to sell beverages to guests.*

Management's Report

Mr. Hector MacLeod, Chairman
PEI Liquor Control Commission
PO Box 967
Charlottetown, PE C1A 7M4

Dear Mr. MacLeod:

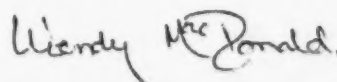
The preparation of financial information is an integral part of management's responsibilities and the accompanying financial statements are the responsibility of the management of the commission. This responsibility includes the selection of appropriate accounting policies and making judgements and estimates consistent with Canadian generally accepted accounting principles.

The commission maintains an accounting system and related controls to provide management and the commission with reasonable assurance that transactions are executed and recorded as authorized, that assets are properly safeguarded and accounted for, and that financial records are reliable for the preparation of financial statements in accordance with Canadian generally accepted accounting principles.

Financial information presented elsewhere in this annual report is consistent with that in the financial statements.



Brooke MacMillan
Chief Executive Officer

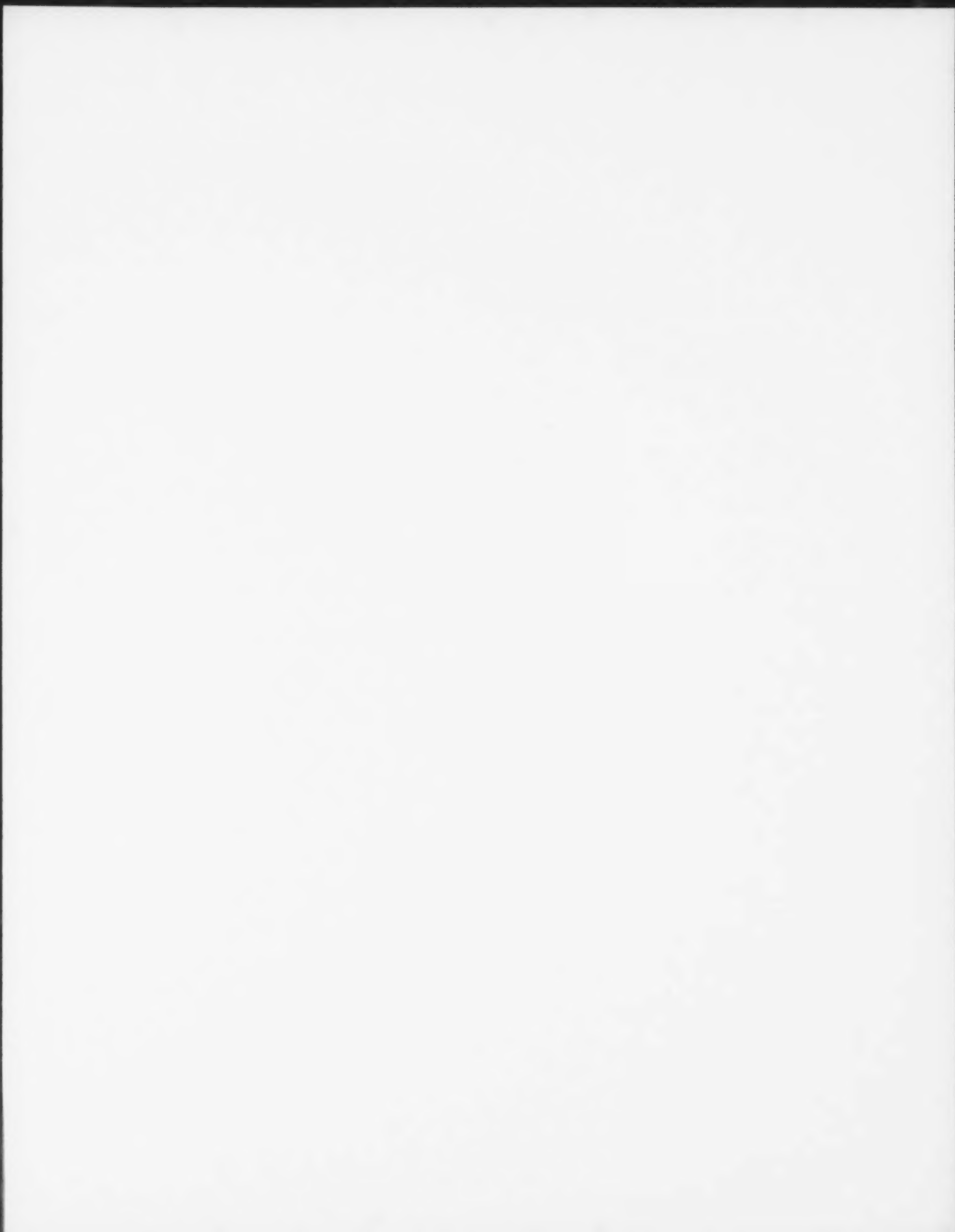


Wendy L. MacDonald, CA
Director of Finance and Retail Operations



Appendix

*Auditor's Report
and
Audited Financial Statements*



AUDITOR GENERAL

**CHARLOTTETOWN
PRINCE EDWARD ISLAND**

**PRINCE EDWARD ISLAND
LIQUOR CONTROL COMMISSION**

FINANCIAL STATEMENTS

MARCH 31, 2011

AUDITOR GENERAL

CHARLOTTETOWN
PRINCE EDWARD ISLAND

AUDITOR'S REPORT

**To the Commissioners of the
Prince Edward Island Liquor Control Commission**

I have audited the financial statements of the **Prince Edward Island Liquor Control Commission**, which comprise the balance sheet as at March 31, 2011, and the statements of income and retained earnings and cash flow for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles for the private sector and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

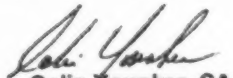
My responsibility is to express an opinion on these financial statements based on my audit. I conducted the audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2011, and its financial performance and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for the private sector.


Colin Younker, CA
Auditor General

Charlottetown, Prince Edward Island
June 30, 2011

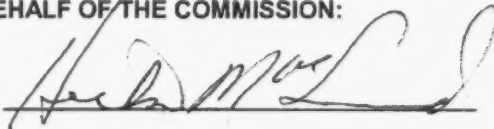
**PRINCE EDWARD ISLAND
LIQUOR CONTROL COMMISSION
BALANCE SHEET
AS AT MARCH 31, 2011**

	<u>2011</u> \$	<u>2010</u> \$
ASSETS		
Current Assets		
Cash	622,595	979,252
Accounts receivable (Note 3)	912,253	710,744
Inventory (Note 2(c))	5,586,541	4,213,569
Prepaid expenses	<u>110,815</u>	<u>94,562</u>
	7,232,204	5,998,127
Property, plant and equipment (Notes 2(d), 7)	<u>4,587,795</u>	<u>4,308,698</u>
Total Assets	<u>11,819,999</u>	<u>10,306,825</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (Note 4)	2,071,824	1,040,516
Due to the Province of Prince Edward Island (Note 2(e))	6,404,342	5,755,070
Current portion of debentures payable (Note 9)	<u>911,990</u>	<u>862,406</u>
	9,388,156	7,657,992
Debentures payable (Note 9)	<u>2,431,843</u>	<u>2,648,833</u>
Total Liabilities	<u>11,819,999</u>	<u>10,306,825</u>

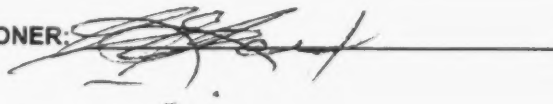
(The accompanying notes are an integral part of these financial statements.)

APPROVED ON BEHALF OF THE COMMISSION:

COMMISSIONER:



COMMISSIONER:



PRINCE EDWARD ISLAND
LIQUOR CONTROL COMMISSION
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 2011

	<u>2011</u> \$	<u>2010</u> \$
Revenues		
Net sales (Note 10)	64,145,491	63,094,856
Cost of goods sold	<u>36,862,881</u>	<u>36,433,104</u>
Gross profit	<u>27,282,610</u>	<u>26,661,752</u>
Expenses		
Amortization	814,493	825,170
Insurance and taxes (Note 13)	173,202	170,416
Interest on long-term debt (Notes 9, 13)	185,456	222,684
Leases (Note 8)	759,001	737,193
Other operating expenses	842,465	962,249
Repairs and maintenance	719,502	595,967
Salaries and benefits (Notes 12, 13)	9,084,961	8,487,604
Store and office expenses	440,848	384,834
Travel	129,852	114,258
Utilities	<u>811,446</u>	<u>783,402</u>
	<u>13,961,226</u>	<u>13,283,777</u>
Income from operations	13,321,384	13,377,975
Other income (Note 11)	<u>1,982,640</u>	<u>1,623,606</u>
Net income (Note 2(e))	15,304,024	15,001,581
Retained earnings, beginning of year	-	-
Distributions to the Province of Prince Edward Island	<u>15,304,024</u>	<u>15,001,581</u>
Retained earnings, end of year	<u>-</u>	<u>-</u>

(The accompanying notes are an integral part of these financial statements.)

**PRINCE EDWARD ISLAND
LIQUOR CONTROL COMMISSION
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED MARCH 31, 2011**

	<u>2011</u> \$	<u>2010</u> \$
Cash provided by (used for):		
Operating activities		
Net income for the year	15,304,024	15,001,581
Amortization	<u>814,493</u>	<u>825,170</u>
	16,118,517	15,826,751
Changes in non-cash working capital:		
Increase in accounts receivable	(201,509)	(112,495)
Increase in inventories	(1,372,972)	(230,945)
(Increase) decrease in prepaid expenses	(16,253)	17,085
Increase (decrease) in accounts payable	<u>1,031,308</u>	<u>(941,279)</u>
Net cash provided by operating activities	<u>15,559,091</u>	<u>14,559,117</u>
Financing activities		
Payments to the Province of Prince Edward Island	(14,654,753)	(14,294,710)
Loans from the Province of Prince Edward Island	695,000	250,000
Debenture repayments	<u>(862,405)</u>	<u>(1,309,924)</u>
Net cash used for financing activities	<u>(14,822,158)</u>	<u>(15,354,634)</u>
Investing activities		
Acquisition of property, plant and equipment	<u>(1,093,590)</u>	<u>(490,973)</u>
Decrease in cash	(356,657)	(1,286,490)
Cash, beginning of year	<u>979,252</u>	<u>2,265,742</u>
Cash, end of year	<u>622,595</u>	<u>979,252</u>
Supplementary disclosure		
Interest paid	<u>181,951</u>	<u>292,297</u>

(The accompanying notes are an integral part of these financial statements.)

**PRINCE EDWARD ISLAND
LIQUOR CONTROL COMMISSION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2011**

1. Nature of Operations

The Prince Edward Island Liquor Control Commission (the Commission) is a provincial Crown corporation responsible for managing the importation, sale and distribution of beverage alcohol throughout Prince Edward Island.

2. Summary of Significant Accounting Policies

Basis of Accounting

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the private sector. The following is a summary of the significant accounting policies used in the preparation of these financial statements.

a) Revenues

Revenues are recognized on an accrual basis in the period in which the transaction or event that gave rise to the revenue occurred and contractual obligations have been met and collection is reasonably assured.

b) Expenses

Expenses are recorded on an accrual basis in the period in which the transaction or event that gave rise to the expense occurred.

c) Inventory

Inventory is valued at the lower of first-in, first-out cost and net realizable value. Inventory cost includes the purchase cost and related freight, duty and excise taxes.

d) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated amortization. Amortization of buildings, furniture, equipment and leasehold improvements is calculated on a straight-line basis at the rates indicated in Note 7.

e) Capital Management

All net income of the Commission accrues directly to the Province of Prince Edward Island. Transfers of net income are made to the Operating Fund on a continuing basis as excess cash becomes available.

**PRINCE EDWARD ISLAND
LIQUOR CONTROL COMMISSION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2011**

2. Summary of Significant Accounting Policies (continued...)

f) Use of Estimates and Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles for the private sector requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the period. Items requiring the use of significant estimates include the useful life of capital assets, accrued liabilities, negotiated settlements with unions and standard inventory freight rates.

g) Future Accounting Pronouncements

International Financial Reporting Standards (IFRS)

All publicly accountable enterprises will be required to apply IFRS, in full and without modification, on fiscal years beginning on or after January 1, 2011. The Commission will adopt IFRS beginning April 1, 2011, with restatement, for comparative purposes, of amounts reported for the year ended March 31, 2011, and of the opening balance sheet as at April 1, 2010.

The Commission is currently assessing the financial reporting impacts of the adoption of IFRS and, at this time, the impact on future financial position and operating results is not reasonably determinable or estimable. The Commission is continuing to assess the level of disclosure required with the adoption of IFRS, as well as operational changes that may be necessary to gather and process the information.

3. Accounts Receivable

	<u>2011</u> \$	<u>2010</u> \$
General	835,262	643,543
Province of Prince Edward Island	<u>76,991</u>	<u>67,201</u>
	<u>912,253</u>	<u>710,744</u>

**PRINCE EDWARD ISLAND
LIQUOR CONTROL COMMISSION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2011**

4. Accounts Payable and Accrued Liabilities

	<u>2011</u> \$	<u>2010</u> \$
General	1,759,463	854,997
Province of Prince Edward Island	<u>312,361</u>	<u>185,519</u>
	<u>2,071,824</u>	<u>1,040,516</u>

5. Financial Instruments

All financial instruments reported on the balance sheet of the Commission are classified as follows:

Cash	Held for trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Due to the Province of Prince Edward Island	Other liabilities
Debentures payable	Other liabilities

Due to their short-term nature, all financial instruments except debentures payable are considered to be carried at amounts which approximate their fair value. Debentures payable are recorded at amortized cost. The Commission has adopted a policy of recognizing all transaction costs in net income.

6. Financial Risk Management Objectives and Policies

The Commission's activities may be exposed to a variety of financial risks. The Commission's overall risk management focuses on the unpredictability of financial and economic markets and seeks to minimize potential effects on its financial performance. In common with many organizations that purchase in foreign currencies, the Commission may be exposed to a marginal degree of currency risk. Management has mitigated the exposure to this risk by limiting the number of purchase transactions originating in foreign currency. Credit risk is the risk the Commission will incur a loss because a customer fails to meet an obligation. The Commission has mitigated its exposure to this risk through limited extension of credit and contractual relationships with business partners.

**PRINCE EDWARD ISLAND
LIQUOR CONTROL COMMISSION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2011**

7. Property, Plant and Equipment

	<u>Amortization Rate</u> %	<u>Cost</u> \$	<u>Accumulated Amortization</u> \$	<u>2011 Net Book Value</u> \$	<u>2010 Net Book Value</u> \$
Land		85,537	-	85,537	85,537
Buildings	5	5,677,810	3,634,049	2,043,761	2,113,591
Equipment	10 & 20	2,065,352	1,688,859	376,493	283,319
Vehicles	30	100,850	100,850	-	-
Leasehold Improvements	10	5,681,585	4,251,608	1,429,977	1,109,896
Financial Information System	20 & 100	<u>3,058,402</u>	<u>2,406,375</u>	<u>652,027</u>	<u>716,355</u>
		<u>16,669,536</u>	<u>12,081,741</u>	<u>4,587,795</u>	<u>4,308,698</u>

Included in the financial information system cost is \$111,129 for assets not in use at year-end and therefore not amortized.

8. Contractual Obligations

The Commission leases various pieces of computer hardware and software as well as thirteen retail outlets. Future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u> \$
2012	744,645
2013	684,008
2014	580,629
2015	488,374
2016	366,580
2017 - 2022	<u>390,095</u>
	<u>3,254,331</u>

**PRINCE EDWARD ISLAND
LIQUOR CONTROL COMMISSION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2011**

9. Debentures Payable - Province of Prince Edward Island

	<u>Annual</u> <u>Payment</u>	<u>Interest</u>	<u>Maturity</u>	<u>Balance</u>	<u>Current</u>	<u>Long-</u>
	<u>P&I</u>	<u>Rate</u>	<u>Date</u>	<u>2011</u>	<u>Portion</u>	<u>term</u>
	\$	%		\$	\$	\$
Summerside (Waterfront)	88,042	6.77	Jul 18-11	82,460	82,460	-
Financial Information System	195,599	6.57	Mar 28-12	183,539	183,539	-
Wood Islands	33,052	5.85	Nov 27-12	60,724	29,499	31,225
Point of Sales System	221,583	4.62	Dec 18-12	414,244	202,445	211,799
Charlottetown (Queen Street)	60,016	5.61	Aug 1-13	161,588	50,951	110,637
Tignish	99,684	5.40	Jan 9-14	269,443	85,134	184,309
Charlottetown (Head Office)	38,889	5.02	Mar 7-15	137,834	31,970	105,864
Sherbrooke	38,493	4.81	Feb 28-16	167,537	30,435	137,102
West Royalty	64,156	4.81	Aug 30-16	327,626	48,398	279,228
Souris	101,660	4.74	Mar 30-17	520,314	76,997	443,317
Charlottetown (Oak Tree)	16,409	5.28	Jun 27-17	93,992	11,446	82,546
Charlottetown (Office and Warehouse)	31,393	4.37	Jan 20-20	229,532	21,363	208,169
Stratford	86,542	4.20	Sep 13-20	<u>695,000</u>	<u>57,353</u>	<u>637,647</u>
				<u>3,343,833</u>	<u>911,990</u>	<u>2,431,843</u>

Principal and interest payments for the next five years are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
	\$
2012	911,990
2013	677,518
2014	455,961
2015	318,798
2016	<u>294,819</u>
	<u>2,659,086</u>

**PRINCE EDWARD ISLAND
LIQUOR CONTROL COMMISSION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2011**

10. Net Sales

	<u>2011</u> \$	<u>2010</u> \$
Gross sales	91,728,389	90,010,214
Less taxes collected and remitted:		
Provincial Health Tax	16,247,540	15,873,176
Provincial Sales Tax	7,158,110	6,960,489
Federal Goods & Services Tax	<u>4,177,248</u>	<u>4,081,693</u>
	<u>27,582,898</u>	<u>26,915,358</u>
Net sales	<u><u>64,145,491</u></u>	<u><u>63,094,856</u></u>

11. Other Income

Included in other income are permit and license fees, marketing fees and limited time offer promotions.

12. Employee Benefits

a) Pension Benefits

Permanent employees of the Commission participate in the Province of Prince Edward Island Civil Service Superannuation Pension Plan (the Plan) which is a multi-employer contributory defined benefit pension plan. The Plan provides a pension on retirement based on two percent of the average salary for the highest three years times the number of years of pensionable service. The Plan is administered by the Province of Prince Edward Island. The Commission's annual portion of contributions to the Plan are paid by the Province and any unfunded liability is the responsibility of the Province and therefore no liability has been recognized in these financial statements.

b) Retiring Allowance

The Commission provides a retirement allowance to its permanent employees. The amount paid to eligible employees at retirement is based on the number of years of service and the rate of pay in effect at the retirement date. The benefit costs and liabilities related to the allowance are assumed by the Province and not included in these financial statements.

c) Other Employee Benefits

Other employee benefits such as sick leave, vacation accruals and severance pay are assumed by the Province of Prince Edward Island and not reflected in the Commission's financial statements.

**PRINCE EDWARD ISLAND
LIQUOR CONTROL COMMISSION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2011**

13. Related Party Transactions

These financial statements include the results of normal operating transactions with various provincial departments, Crown corporations and agencies with which the Commission is related. Operating transactions with related parties, such as insurance and taxes and interest on debentures (\$173,202 and \$185,456 respectively) are recorded at rates as determined by the Province.

The Commission's employee wages and benefits are paid by the Province and subsequently reimbursed by the Commission.

14. Prior Period Comparatives

Prior period results have been restated to conform to the presentation format adopted in the current period.



Liquor Control
Commission